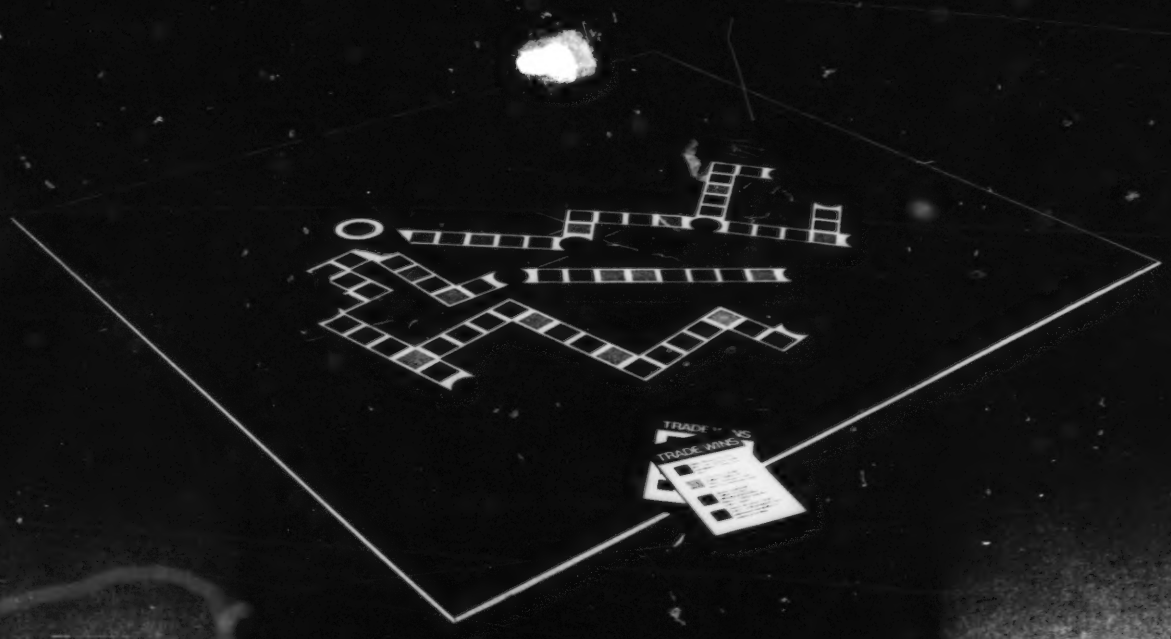
STRATEGIES FOR SUCCESS

Economic
Development
And Trade



ALBERTA EXPORTER'S GUIDE

Let's Talk
TRADE

89-05693/

STRATEGIES FOR SUCCESS

Message From The Minister

The United States, our nearest neighbor, has long been our largest trading partner. Last year, 70% of Alberta's merchandise exports were destined for U.S. markets. Even so, we have not yet achieved our full potential in this important marketplace because barriers to trade have posed obstacles for many Alberta industries.

When the Free Trade Agreement went into effect on January 1, 1989, we entered a new era in trade. This historic Agreement opens up opportunities for businesses in virtually every sector of our economy by eliminating tariffs and non-tariff barriers, ultimately providing better and more secure access to the U.S. marketplace.

At the same time, it establishes an entirely new trading environment and presents new challenges. As with all change on this sweeping scale, success will rest on the effectiveness of strategies developed to meet the challenges and capitalize on the opportunities.

As part of the Let's Talk Trade program, this brochure has been designed to provide the framework you need to develop an effective marketing game plan. Topics range from conducting feasibility studies to arrange financing, from setting prices to protecting intellectual property. Whether you are entering the export market for the first time or are planning to expand an established marketing territory, this information will prove valuable in planning a strategy for success.

I invite you to contact our trade representatives if you would like to discuss your plans in more detail, and I encourage you to take action in setting your strategy in motion to succeed within this new climate of opportunity.

Peter Elzinga
Minister
Economic Development and Trade

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INTRODUCTION

ALBERTA EXPORTS

Exporting can do wonders for your company. It can mean:

increased profits	peak production
market diversity	new ideas

If you've already established yourself in the Alberta market, have a sound business plan, * and can invest the time and resources needed to research and develop a U.S. market, you're a prime candidate to reap the benefits of exporting.

United States markets are ripe

Why trade with the United States? It's a great place to start for several important reasons: we speak the same language, our business practices are similar, it's relatively close, and for Canadian exports, it's a proven "land of opportunity."

Our southern neighbour has an outstanding track record for buying Canadian products: 75% of Canada's exports in 1988 went to the U.S. The two countries are each other's largest trading partners, and in 1988 enjoyed $187 billion of mutual trade. The United States is Alberta's leading international trading partner as well: in 1987, we exported 72% of our products to the U.S.

The U.S. is an enormous market for goods and services, and that market is now more accessible than ever to Canadians since adoption of the Canada-U.S. Free Trade Agreement. The FTA has stemmed the protectionist tide, increased market certainty, and provided Alberta businesses with trading opportunities galore.

Now is a particularly opportune moment to penetrate the U.S. market. Due to rising prices of many European and Japanese imports, American importers are more receptive than ever to alternative sources of supply. Those Alberta companies prompted by free trade to export to the United States stand to make significant gains.

* If not, Alberta Economic Development and Trade's Small Business Branch can provide assistance. Call the Business Line at 1-800-272-9675 (8:30 a.m. - 4:30 p.m., Monday to Friday.)

This booklet gives an overview of exporting to the U.S.

We've identified and defined key issues in exporting in order to help you develop an exporting strategy. Areas that will need your attention are discussed in terms of "Strategies for Success," and these are depicted in a flow chart on pages 4 and 5. Throughout the book, we'll tell you where to go for expert help.

A companion publication titled, *EXPORTING TO THE U.S.A.: A HANDBOOK FOR ALBERTA EXPORTERS* gives an in-depth treatment to the exporting strategies outlined over these pages. Both the comprehensive *Handbook* and this *Guide* were developed for the "Let's Talk Trade" program initiated in the spring of 1989. They are the latest additions to a series of publications produced by Alberta Economic Development and Trade to assist Alberta businesses compete in the global marketplace. Our other exporting publications are listed on page 80 of this booklet.

We gratefully acknowledge the following sources used in the preparation of this document:

So You Want to Export?, Export Guide, and *Studies in Canadian Export Opportunities in the U.S. Market*, Department of External Affairs.

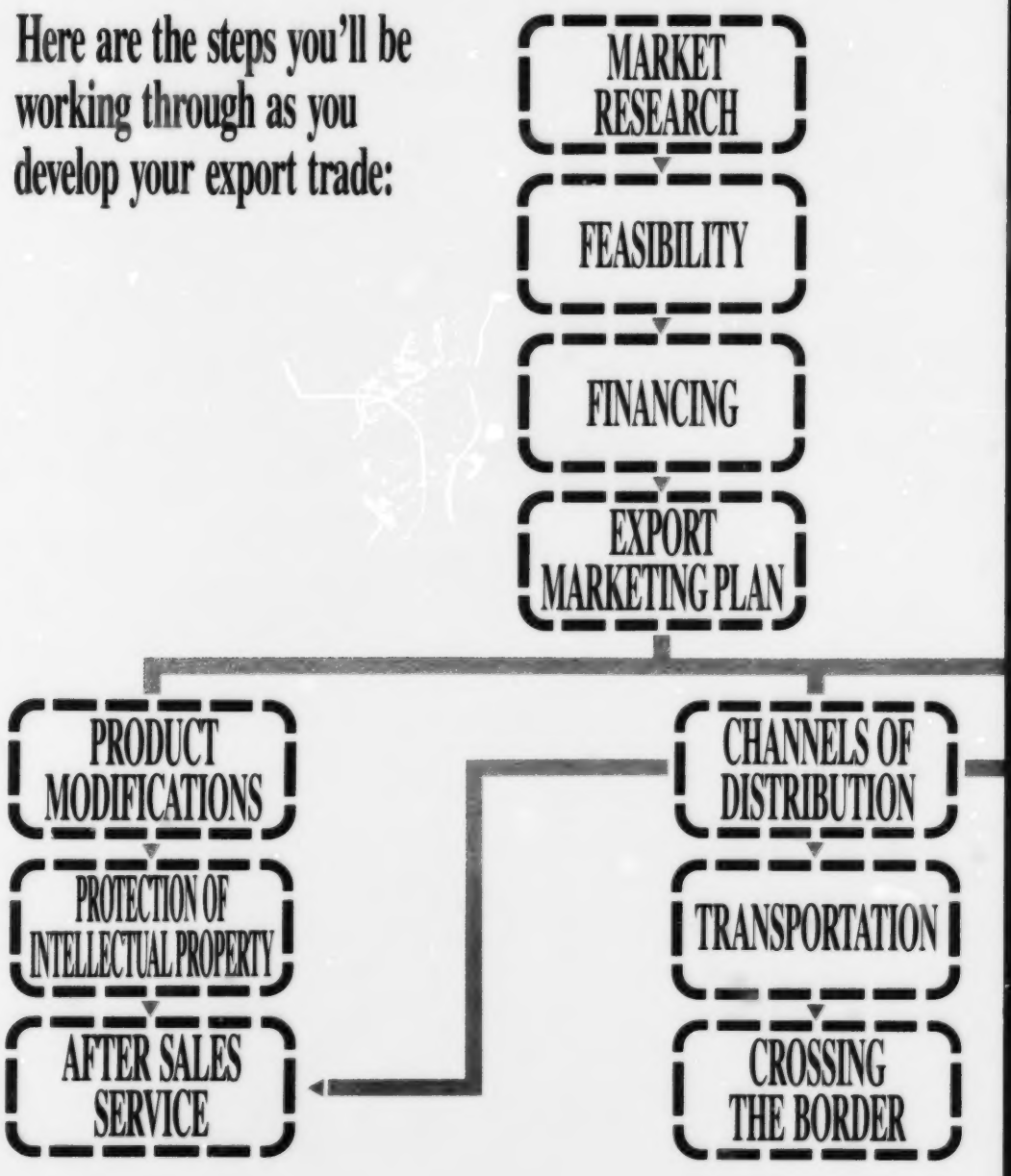
Understanding Export, Canadian Manufacturer's Association.

Patents, Questions and Answers, and *Industrial Design: Questions and Answers*, Consumer and Corporate Affairs Canada.

How to Export, and *The Right Price*, Ontario Ministry of Industry, Trade and Technology.

STRATEGIES FOR

Here are the steps you'll be working through as you develop your export trade:



SUCCESS

PRICING STRATEGY

PROMOTIONAL MIX

EXPORT COLLECTIONS

TRADE SHOWS

PERSONAL SELLING

SALES PROMOTIONS

ADVERTISING & PUBLICITY

FEASIBILITY

Evaluate your firm's readiness and resources for exporting.

It's essential to assess your readiness for exporting with a critical eye, for the planning stages of developing an export trade require an investment of resources both human and financial. Short-term gains may be small, but long-term gains can be considerable.

Questions you'll need to ask:

Does our company have sufficient financial and human resources to devote to the planning stages of exporting?

Can we modify our product or its packaging, if need be, to meet the requirements or preferences of the market?

Once exporting, can we wait out the long collection periods?

Can our personnel handle the additional administrative burden of exporting?

Will we be able to produce enough goods to assure timely deliveries of our product both in Canada and the U.S.?

Try to estimate the sales potential of your product or service in a U.S. context.

Projecting how your product or service will fare in a U.S. marketplace will require some educated guesswork. The following are areas to consider:

Market potential

Who is now using our product or service domestically? Will a knowledge of Canadian market demographics help us select potential U.S. markets?

- What segment will we target within the U.S. market, and how will we determine this? Through surveys, focus groups, or a U.S. market research firm?
- Will we do test marketing?
- In the present U.S. market, who is the competition? What domestically produced products, imports, or both are servicing this market?
- Is there a glut on the market of our type of product or service?
- What features of our product will distinguish it from the competition and give it a selling edge?

Product requirements

- Does our product meet U.S. technical specifications and codes, both federal and local, as well as U.S. health and safety standards?
- Will any regulations pertaining to packaging, labelling, or language necessitate changes?
- Will modifications be needed to enhance the product's appeal in the market?
- Will geographic or climactic factors affect the use of the product or service?
- Will special assembly be required? If assembly is to take place in the target market, are there sufficient skilled personnel available to handle the job? What are the costs of assembly?
- Will we offer after-sales servicing? Can repairs be done locally, and will we train people for this? Will parts be easily available? Will we offer a warranty?

Pricing

- Will exporting costs price us out of the market or significantly lower our profit? (Exporting factors affecting price: regulations, package or product modification, remaining tariffs, the distribution system, shipping, insurance, commissions.)

- Will our estimated profit margin make exporting beneficial?
- Can we match or better our competitors' pricing in the market?
- If our export price is higher than the competition's, can non-price aspects of the product move it in the market?

Is the market accessible?

- What is the general receptiveness of the market to new products or services? To Canadian products or services?
- Will market peculiarities, import barriers, or political factors (such as the "Buy American" movement) affect the sale of our product?
- Are transportation services reasonable and reliable?
- What is the most effective way to penetrate the market: a trading company, wholesaler, or manufacturer's representative?
- Will we need new literature to promote our product or service in the marketplace?

RESOURCES

Alberta Economic Development and Trade
EXTRA (Export Trade Readiness for Alberta)

The EXTRA program underwrites professional management consulting services aimed at helping Alberta businesses assess their exporting potential. For more information, call "The Business Line" at 1-800-272-9675 (8:30 a.m. - 4:30 p.m., Monday to Friday.)

Department of External Affairs

Lester B. Pearson Building
125 Sussex Drive
Ottawa, Ontario K1A 0G2
Telephone: (613) 996-9134
Telex: 053-3745
FAX: (613) 996-9103

The Department of External Affairs is the federal government department responsible for international trade. The following are some of the programs and services it offers, and more are listed on pages 16 and 17.

Info Export - call 1-800-267-8376

This "hotline" is the central source of information about federal government export programs and services. You can get advice on the best potential markets for your product or service as well as access the federal government's array of exporting literature.

Canadian Trade Commissioners

Located throughout the U.S., Canadian Trade Commissioners can help beginning exporters size up the potential demand for a product or service in their region. For information and addresses, see pages 30 and 31. To obtain the January, 1989 publication, **"Directory of the Canadian Trade Commissioner Service,"** call the Info Export hotline, above.

U.S. Geographic Division

The division can identify promising export markets and sectors, organize trade shows, and assist you in making contacts in the United States.

International Trade Centres

A new network of centres across Canada, managed in cooperation with the Department of Industry, Science and Technology (IS&T). Trade officers can help you identify and establish a U.S. market for your goods. In Alberta, contact:

International Trade Centre
The Cornerpoint Building, Suite 505
10179-105 Street
Edmonton, Alberta T5J 3S3
Telephone: (403) 495-2944
FAX: (403) 495-4507

Technology Development

Promotes exports of Canada's high technology products. For information or assistance, call (613) 992-1893.

Technology Inflow Program - promotes and funds the acquisition of foreign technological innovations needed by Canadian firms to develop new or improved products, processes, or services. For more information, call (613) 992-8054.

Grain and Oilseeds Program

Information and assistance are provided to firms handling, processing, or marketing grains, oilseeds, and their products. For more information, call (613) 995-8767.

Canadian Commercial Corporation (CCC)

Head Office
Metropolitan Centre, 11th Floor
50 O'Connor Street
Ottawa, Ontario K1A 0S6
Telephone: (613) 996-0034
Telex: 053-4359

CCC is a Crown corporation which acts as the prime contractor in the purchase of Canadian goods and services by foreign governments and international agencies. The corporation manages business details on behalf of Canadian suppliers.

Canada-U.S. Defence Development Sharing Arrangement

This arrangement allows Canadian manufacturers to compete with American industry for U.S. government defence contracts. In most cases, the U.S. government will waive customs duties and the "Buy America" Act in order to improve market access for Canadian businesses.
For information, call (613) 996-8050.

Canada-U.S. Defence Development Sharing Program

This program offers financial assistance in conjunction with the "Sharing Arrangement" cited above. Canadian companies are reimbursed for all R & D costs for approved U.S. military projects.
For more information, call (613) 996-3518.

U.S. packaging and standards:

North American Packaging Federation
c/o The Packaging Institute
342 Madison Avenue
New York, New York 10017

American National Standards Institute
1430 Broadway
New York, New York 10018
Telephone (212) 354-3300

American Institute of Weights and Measures
P.O. Box 1122
Erie, Pennsylvania 16512
Telephone (814) 833-7455

For a list of general market research references, consult "Resources" on page 15, following "Market Research."

For data specifically on distribution, pricing, finance, transportation, and documentation, consult the "Resources" sections in this booklet following each topic.

MARKET RESEARCH

Gather detailed information about alternative U.S. markets, then choose the most promising market for your product or service.

In order to decide which U.S. market will result in the greatest profits and the least amount of problems for your product or service, you'll need detailed market data. Doing the research can be time-consuming, but much of the data-gathering is fairly easily accomplished from your base in Alberta.

Trade statistics and demographics are found in widely available publications, and a wealth of information can be gathered over the phone. The "Resources" listed at the end of this section will point you toward Canadian and U.S. sources of market data.

The following are potential areas of investigation:

Comprehensive market information

MARKET SIZE

MARKET GROWTH RATE

INCOME LEVELS IN THE MARKET POPULATION:

- Average income
- Distribution of income

AGE DISTRIBUTION:

- Youth, young adult, middle age, "young old", "old old"

PERTINENT GEOGRAPHICS:

- Distance from Alberta
- Aspects of climate or terrain which may influence the shipment or use of your product

- POLITICAL/SOCIAL FACTORS AFFECTING THE DEMAND FOR YOUR PRODUCT:
  - Consumer attitudes regarding imports from Canada
  - Consumer attitudes towards your particular product or service
  - Past market acceptance of or resistance to new products or services
- COMPETITION IN THE MARKET:
  - Market shares of your main competitors -

    How "competitive" is domestic production?

    What volume does the market import? From where?

    Who has the largest market share? Why?
  - Strengths and weaknesses of competitors' products
  - Market preferences in style and quality
  - What will give your product a marketing edge?
  - Would product modification provide this edge?
  - Price differences between domestic products, those produced by major foreign competitors, and your product

Ease of entering the market

- TARIFF BARRIERS:
  - Are domestically produced products still protected by tariffs?
  - If so, how quickly will this be eliminated under the Canada - U.S. Free Trade Agreement?
  - Are there internal taxes?
  - Are there quotas on imports?
  - Are licenses or deposits required of importers?
  - Is product liability insurance necessary?

- GOVERNMENT REQUIREMENTS:
  - Does your product conform to the measurement system, e.g. metric vs. imperial?
  - Does it meet special packaging, marking, and labelling requirements?
  - Does it satisfy health, safety and technical standards?
- TRANSPORTATION AND DISTRIBUTION ISSUES:
  - Are there adequate shipping facilities to transport your product to market?
  - Will transportation costs make your product uncompetitive?
  - Can you negotiate cheaper transportation rates or use alternative approaches for recurring shipments?
  - Can freight forwarders or other agents assist you in the market?
  - What should be the size and frequency of your shipments?
  - What is the best way to package your shipments?
  - Could you assemble your product at the market?
  - Must you have local inventory?
  - Are there adequate warehousing facilities?
  - How are products distributed in the market? Through wholesalers, distributors, manufacturers' agents?

Business practices in the market

- What are the retailing methods?
- What are typical contract terms of sales representatives?
- What is the customary commission rate?
- What is the preferred basis of price quotations?
- What are customary terms of payment?
- Are Canadian suppliers regarded as domestic or foreign?
- What are some market-tested promotional methods for your type of product or service?

Financial

- What banking facilities will you use?
- How will you assess the credit standing of potential customers?
- What loans are available to help you through long collection periods?
- What insurance will you have against nonpayment or repudiation of goods?

RESOURCES

Government agencies which can help with market research:

Alberta Economic Development and Trade
Trade and Investment
11th Floor, Sterling Place
9940 - 106 Street
Edmonton, Alberta T5K 2P6
Telephone: (403) 427-4809
FAX: (403) 422-9127

"Alberta Houses" in Los Angeles and New York

The province has trade offices in these major centres which serve as vital links to the U.S. marketplace. Alberta trade officers can provide much useful information on their market regions.

Alberta House
27th Floor, General Motors Building
767 Fifth Avenue
New York, New York 10153
Telephone: (212) 759-2222
FAX: (212) 759-3682

Alberta House
Suite 3535
333 South Grand Avenue
Los Angeles, California
Telephone: (213) 625-1256
FAX: (213) 626-2107

Department of Regional Industrial Expansion (D.R.I.E.)

Calgary office:
630 Harry Hays Building
Station M
220 - 4th Avenue S.E.
Calgary, Alberta T2P 3C3
Telephone: (403) 231-4575

Edmonton office:
Cornerpoint Building
Suite 505
10179 - 105 Street
Edmonton, Alberta T5G 3S3
Telephone: (403) 495-2944
FAX: (403) 495-4507

D.R.I.E. regional offices conduct seminars, workshops and meetings on every aspect of trade. They monitor U.S. export markets and deliver the Department of External Affairs' PEMD financial assistance program (detailed on page 55).

Department of External Affairs

Lester B. Pearson Building
125 Sussex Drive
Ottawa, Ontario K1A 0G2
Telephone: (613) 996-9134
Telex: 053-3745
FAX: (613) 996-9103

The Department of External Affairs is the federal government department responsible for international trade. Its programs and services include:

Info Export - exporting information hotline - 1-800-267-8376.

A guide to all exporting programs and services provided by the federal government. You can learn about potential markets for your products through the trade information network.

Canadian Trade Commissioners

The Government of Canada's regional consulates in the U.S. have trade divisions which offer market research and related commercial information and advice. The U.S. trade commissioner is one of the most important regional contacts an Alberta exporter can make, for he can provide valuable market information, identify agents, and assist companies seeking joint venture and licensing opportunities. For a listing of Canadian consulates in the U.S., see pages 30 and 31.

World Information Network for Exports (WIN Exports)

A computerized directory of Canadian goods and services used by Canadian trade commissioners worldwide to match Canadian sources of supply with international opportunities. For more information, call (613) 996-7290.

International Trade Centres

In cooperation with the new Department of Industry, Science and Technology (IS&T), the Department of External Affairs has created a network of International Trade Centres across Canada. The ITC can help you establish or expand a U.S. market, assist with exhibits at trade shows, and provide financial assistance.
Contact:

International Trade Centre
Department of Industry, Science and Technology
The Cornerpoint Building
Suite 505
10179 - 105th Street
Edmonton, Alberta T5J 3S3
Telephone: (403) 495-2944
Telex: 037-2762
FAX: (403) 495-4507

U.S. Geographic Division

The U.S. Geographic Division of the Department of External Affairs manages export promotion activities in the U.S. They identify promising export markets and sectors, organize trade shows, serve as liaison with financial institutions, and assist in making contacts for Canadian businesses.

New Exporters to Border States (NEBS) Program

This program introduces new exporters to the basics of exporting to the U.S. Participants are taken to the nearest Canadian trade office in the U.S., where they are oriented to all phases of exporting, from clearing customs to warehousing and distribution of goods. For more information, contact (613) 993-5726.

Western Economic Diversification

Head Office
Suite 604
10179 - 105th Street
Edmonton, Alberta T5J 3N1
Telephone: (403) 495-4164

The Western Economic Diversification Fund assists companies with trade and marketing activities and supplements support from other programs. A "pathfinding" service ensures that your company is tapping all possible sources of federal support.

Statistics Canada

8th Floor, Park Square
10001 Bellamy Hill
Edmonton, Alberta T5J 3B6
Telephone: (403) 495-4659
Outside the Edmonton area: 1-800-282-3907
FAX: (403) 495-3026

"StatsCan" prepares and publishes statistical data of vital interest to exporters; they will also furnish unpublished trade data in response to specific requests. The Statistics Canada library contains an extensive collection of international trade reports. Complete collections of Statistics Canada publications are also maintained at:

University of Calgary
MacKimmie Library,
Government Documents Division
2500 University Drive N.W.
Calgary, Alberta T2N 1N4

Calgary Public Library
616 MacLeod Trail S.E.
Calgary, Alberta T2G 2M2

University of Alberta
D.E. Cameron Library
Edmonton, Alberta T5K 2B6

Edmonton Public Library
7 Sir Winston Churchill Square
Edmonton, Alberta T5J 2V4

Alberta Legislature Library
216 Legislature Building
Edmonton, Alberta T5K 2B6

Alberta Bureau of Statistics
7th Floor, Haultain Building
9811 - 109 Street
Edmonton, Alberta T5K 0C8

Consul General of the United States
Room 105
615 MacLeod Trail S.E.
Calgary, Alberta T2G 4T8
Telephone: (403) 266-8962

TRADE ASSOCIATIONS

Directory of Trade Associations - available at most major libraries.

Canadian Exporters' Association (CEA)

A nonprofit organization of over 1,000 companies providing valuable contact with peers in the business community. CEA offers:

- A library of over 5,000 texts, periodicals, papers, and market reports on international business
- Contacts with foreign buyers and agents
- Information about trading houses, freight forwarders, consultants, insurance brokers, banking, countertrade
- Three regular newsletters for members - "Export News," "Export U.S.A.," and "Export Digest."

CEA staff are available to consult with businesses on all exporting issues, including documentation and countertrade. For more information contact:

Canadian Exporters' Association
Suite 250, 99 Bank Street
Ottawa, Ontario K1P 6B9
Telephone: (613) 238-8888
Telex: 053-4888
FAX: (613) 563-9218

Canadian Manufacturers' Association

The CMA provides information on foreign markets, tariffs, customs, Canadian government programs and services, export credits, and international trade shows and exhibitions. They conduct courses in export documentation, offer exporting seminars, and publish "World Trade News" (monthly) and "Canadian Trade Index" (annually), as well as regular "Export Bulletins" and manuals on exporting issues. Contact:

HEAD OFFICE:
Canadian Manufacturers' Association
Export Department
Suite 1400, One Yonge Street
Toronto, Ontario M5E 1J9
Telephone: (416) 363-7261
Telex: 065-24693

EDMONTON OFFICE:
831 Esso Tower
10060 Jasper Avenue
Edmonton, Alberta T5J 3R8
Telephone: (403) 426-6622
FAX: (403) 426-1509

Market Research Publications

Digest of Commercial Laws of the World
Oceana Publications Inc.
Dobbs Ferry, New York 10522

"World Trade News"
Canadian Manufacturer's Association
1 Yonge Street
Toronto, Ontario M5E 1J9
Telephone: (416) 363-7261

"Trade Channel"
E.C. Smith Associates
Postal Drawer AA
Millwood, New York 10546
Telephone: (212) 762-7415

"International Trade Forum"
UNCTAD/GATT
International Trade Centre
Geneva, Switzerland

Trade Directories of the World
Croner Publications
211-03 Jamaica Avenue
Queens Village, New York 11428

"World Marketing" and "Exporter's Encyclopedia"
Dun & Bradstreet
Box 2007
Jersey City, New Jersey
Telephone: (201) 966-1620
(also available in major libraries)

"Innovation"
Industry, Science and Technology Canada Business Centre
1st Floor, 235 Queen Street
Ottawa, Ontario K1A 0H5
Telephone: (613) 995-5771

American Import & Export Bulletin
P.O. Box 13219
Philadelphia, Pennsylvania 19108

Kelly's Manufacturers & Merchants Directory
Kelly's Directories Ltd.
Windsor Court
East Grinstead House
West Sussex, RH IT 1X5, U.K.

Predicasts F & S Index, International
Predicasts Inc.
11001 Cedar Avenue
Cleveland, Ohio
Telephone: (215) 795-3000

Directory of Directories - available at all major libraries''

Importing to the United States'' - an essential resource; Department of Treasury, U.S. Customs Services, Washington, D.C. 20229.

U.S. Customs Directory - tariff barriers, rates, import policy, customs requirements, product classification, internal taxes; 1301 Constitution Ave N.W., Washington, D.C. 20229. Telephone (202) 566-8195.

"Tariff Schedule of the United States," The International Trade Communications Group, The Department of External Affairs, 125 Sussex Drive, Ottawa, Ontario K1A 0G2.

Alberta International Trade "Country Profiles" - for U.S. export/import statistics, information on chief Alberta exports to the U.S., growth in U.S. markets, market and export assistance to the U.S.

Exporter's Encyclopedia Directory
P.O. Box 2007
Jersey City, New Jersey U.S.A.
Telephone: (201) 547-6050

Statistics Canada Merchandise Exports Annual - Catalogue 65-003, available from Statistics Canada offices (for addresses, see "Government agencies," above).

Canadian Trade Index Directory - information about Canadian exporters and products exported; available at all major libraries or from the Canadian Manufacturers' Association (above).

Export Canada Directory - available at selected major libraries or by contacting P.O. Box 1048, Station A, Surrey, B.C. V3S 4P5.

Department of Regional Industrial Expansion (D.R.I.E.) Economic Surveys of selected states, products, or services; available from D.R.I.E. offices (see "Government agencies," above).

"Studies in Canadian Export Opportunities in the U.S. Market" - an overview of enhanced opportunities for Canadian exporters in the U.S. market, with basic information on 80 product sectors, including an analysis of free trade's impact. Available from the International Trade Communications Group, The Department of External Affairs, 125 Sussex Drive, Ottawa, Ontario K1A 0G2

Market Share Reports Catalogue - reports on over 900 manufactured products; trade performance of the U.S. compared with 13 other nations. Contact: National Technical Information Services, 5285 Port Royal Rd., Springfield, Virginia, 22161; or: Director of Marketing Division, Bureau of U.S.A. Trade Development, 235 Queen Street, Ottawa. Telephone: (613) 593-5467.

United States - A Guide for Canadian Exporters - a series of regionally oriented booklets containing basic information on U.S. markets; published by the Department of External Affairs, Ottawa, Ontario and available through D.R.I.E. (see "Government agencies," above).

Statistical Yearbooks for the U.S. - information on economic indicators, income, purchasing power, domestic production, consumption, and product usage levels; available at all major libraries.

Foreign Trade Statistics & Trends in World Supply & Demand for Agricultural Products - available at certain major libraries and from OECD Publications, Suite 1207, 1750 Pennsylvania Avenue N.W., Washington, D.C. 20006. Telephone: (202) 724-1857.

Yearbook of International Trade Statistics - United Nations, New York.

U.N. Monthly Bulletin of Statistics - United Nations, New York.

Canadian Chamber of Commerce

In a number of centres, chambers of commerce and boards of trade provide information on export markets and conduct seminars and conferences designed to promote Canadian trade. Contact:

Canadian Chamber of Commerce
International Affairs Division
55 Metcalfe Street
Suite 1160
Ottawa, Ontario K1P 6N4
Telephone: (613) 238-4000
Telex: 053-3051
FAX: (613) 236-7643

Federation of Export Clubs Canada

67 Yonge Street
Suite 1402
Toronto, Ontario M5E 1J8
Telephone: (416) 364-4112
Telex: 065-28048

Export clubs are associations of business people who gather regularly to share experiences and discuss aspects of international trade. Activities of export clubs are coordinated by the Federation of Export Clubs Canada, a federally-chartered, non-profit organization.

Chartered Banks

Canadian banks provide a great many services to exporters. The Canadian Bankers' Association publication, "Importing and Exporting - How Canadian Banks Can Help," details their many services. For more information contact:

The Canadian Bankers' Association
P.O. Box 282
Toronto Dominion Centre
Toronto, Ontario M5K 1K2

For market research information on:

Distribution

Pricing

Finance

Transportation

Documentation

consult "RESOURCES" following pertinent sections in this booklet.

MARKET VISIT

Visit your U.S. market region to update market data, make vital contacts, and arrange your distribution system.

A firsthand assessment of the business climate in your specific U.S. market is essential. Plan to travel to the U.S. early on to reassess the demand for your type of product or service, fill any gaps in your market data, and meet with key players in your "marketing game plan," including your agent/distributor.

Things to do in the U.S.:

Size up your competitors in the market:

- Investigate their products, prices, and promotional methods, and evaluate their strengths and weaknesses relative to your product or service

Decide whether you should make changes in your product or service or adjustments in your marketing strategy

Check out distribution methods commonly used in your product sector and, if appropriate, select your local agent

Investigate all other aspects of entering the market, including:

- Customary methods of quoting prices
- Conventional terms of payment
- Packaging requirements and marking and labeling regulations
- Import restrictions, quotas, licensing obligations and export fees
- Product liability insurance requirements
- Current and projected rates of customs duties and the calculated value of your product for duty
- Details of warehousing, assembly, and after-sales servicing of your product

Key U.S. contacts

Vital among your first contacts in the U.S. are the Canadian Trade Commissioner and, depending on the region, the Alberta Trade Officer.

Canadian Trade Commissioners

Canadian trade commissioners are stationed in consulates across the U.S. and are undoubtedly the most important contact you will make as you establish yourself in the U.S. marketplace. You should be in touch with your trade commissioner early on, for he or she will be an invaluable source of information about the business environment. Commissioners can introduce you to key players and explore with you the best way to penetrate the market. Other services they can perform:

- Furnish information about:
  - Your competition - both domestic and foreign imports
  - Import policies and restrictions
  - Duties and taxes
  - Potential buyers
  - Local buying practices
  - Social, cultural, business, market, or political conditions which affect sales.
- Put you in touch with local market research firms
- Advise you of the most appropriate way to distribute your product or service
- Recommend local agents qualified to represent you
- Get information about the credit standing of potential agents and customers
- Act as a liaison between you and your agent
- Help you make contacts and arrange meetings for your U.S. business trips
- Help you quote in the market

- Introduce you to (noncompeting) Canadian business peers in the market
- Advise you on local banking, shipping, and warehousing services
- Recommend legal or technical experts
- Inform you of local advertising and promotion modes and preferences
- Advertise your firm to distributors and customers through local press and the Trade Post's newsletter
- List you in WIN Exports - the database used by Canadian trading posts to identify and recommend Canadian firms
- Help you participate in trade shows and missions

(See page 30 for addresses of Canadian Consulates.)

Alberta Houses

If your chosen market region is in the New York or Los Angeles areas, you have another vital link to the U.S. marketplace: Alberta Trade Officers. Alberta Houses in these regions actively promote the Province's interests, including the sale of our manufactures, technology, resources, and services. Trade officers help Alberta exporters become established and competitive in U.S. markets, and they work closely with the U.S. private sector, Canadian Trade Commissioners, and other Alberta government departments.

Alberta trade officers can:

- Round out your understanding of the local business environment by giving you information on trends, developments, and the competition
- Arrange appointments with key contacts in the region
- Provide information on office space and administrative support in the area, and in some cases, offer you limited services
- Assist you with promotional activities and trade shows

(See page 31 for Alberta House addresses.)

Alberta Economic Development and Trade's
MARKET DEVELOPMENT ASSISTANCE PROGRAM (MDAP)

MDAP shares with Alberta businesses the financial risks of entering new markets. Any Alberta manufacturer or business offering exportable products or services is eligible for support.
Funds are available for:

- Trips for market identification or sales
- Out-of-province trade shows and exhibitions
- Incoming buyers' visits

The program supplements assistance available through the Program for Export Market Development (PEMD), detailed below. For more information contact:

Alberta Economic Development and Trade
Business Finance Development
7th Floor, Sterling Place
9940 - 106 Street
Edmonton, Alberta T5K 2P6
Telephone: (403) 422-5025
FAX: (403) 422-9319

Program for Export Market Development (PEMD)

PEMD is administered and delivered jointly by the Department of External Affairs and the Department for Regional Industrial Expansion (D.R.I.E.) The program provides substantial financial assistance to companies wishing to develop or expand export markets:

- Shares up to 50% of the costs of U.S. marketing visits
- Provides expertise to help businesses exhibit at trade shows
- Supports visits of U.S. buyers to Canada
- Reimburses a share of capital project costs
- Helps small firms join with other small firms in export consortia
- Gives grants for establishing an enterprise or joint-venture project abroad.

For more information, contact the Department of External Affairs Export Programs Division at (613) 996-8708, or your regional D.R.I.E. office (see "Government agencies" on page 16).

WIN Exports

A computer-based information system operated by the Department of External Affairs and used by Canadian trade development officers worldwide. The database enables trade officers to match Canadian exporting capabilities with opportunities in their regions. To list your company, call (613) 996-7290; you will automatically be listed with WIN when you list with BOSS (below).

Business Opportunities Servicing System (BOSS)

A service in which your company's name, address, and products are listed and circulated through the various Canadian Trade Commissioners' offices. Potential buyers use BOSS to identify Canadian suppliers. For more information, contact your regional D.R.I.E. office (see page 16 for addresses) or call the Ottawa office at (613) 992-9128.

Canadian Trade Commissioners: locations of all Canadian Consulates

ATLANTA
Suite 400 South Tower
One CNN Center
Atlanta, Georgia 30303-2705
Telephone: (404) 577-6810
Telex: 00543197 (DOMCAN ATL)

BOSTON
Three Copley Place, Suite 400
Boston, Massachusetts 02116
Telephone: (617) 262-3760
Telex: 94-0625 (DOMCAN BSN)

BUFFALO
One Marine Midland Center, Suite 3550
Buffalo, New York 14203-2884
Telephone: (716) 853-1247
Telex: 62014371 (DOMCAN BUF)

CHICAGO
310 South Michigan Avenue
12th Floor
Chicago, Illinois 60604-4295
Telephone: (312) 427-1031
Telex: 00254171 (DOMCAN CGO)

CLEVELAND
Illuminated Building, Suite 1008
55 Public Square
Cleveland, Ohio 44113-1983
Telephone: (216) 771-0150
Telex: 00985364 (DOMCAN CLV)

DALLAS
St. Paul Tower, Suite 1700
750 N.St. Paul Street
Dallas, Texas 75201-3281
(Registered Mail)
75201-9990 (Business Reply)
Telephone: (214) 922-9806
Cable: CANADIAN DALLAS

DETROIT
600 Renaissance Center, Suite 1100
Detroit, Michigan 48243-1704
Telephone: (313) 567-2340
Telex: 23-0175 (DOMCAN DET)
Cable: CANADIAN DETROIT

LOS ANGELES
300 South Grande Avenue
10th Floor, California Plaza
Los Angeles, California 90071
Telephone: (213) 687-7432
Telex: 00674119 (DOMCAN LSA)

MINNEAPOLIS
701 Fourth Avenue South
Minneapolis, Minnesota 55415-1078
Telephone: (612) 333-4641
Telex: 00290229 (DOMCAN MPS)

NEW YORK
1251 Avenue of the Americas
New York City, N.Y. 10020-1175
Telephone: (212) 586-2400
Night line: (212) 586-2407
Telex: 62014481 (DOMCAN NY)

SAN FRANCISCO
50 Fremont Street, Suite 2100
San Francisco, California 94105
Telephone: (415) 495-6021
Telex: 0034321 (DOMCAN SFO)

SEATTLE
412 Plaza 600
Sixth & Stewart
Seattle, Washington 98101-1286
Telephone: (206) 443-1777
Telex: 032-8762 (DOMCAN SEA)

WASHINGTON
1746 Massachusetts Avenue N.W.
Washington, D.C. 20036-1985
Telephone: (202) 293-2009
Telex: 0089664 (DOMCAN A WSH)
Cable: CANADIAN WASHINGTON

International Representatives: Alberta House

Alberta House - Los Angeles
333 South Grand Avenue
Suite 3535
Los Angeles, California 90071
U.S.A.
Telephone: (213) 625-1256
Facsimile: (213) 625-2107

Alberta House - New York
27th Floor
General Motors Building
767 Fifth Avenue
New York, New York 10153
U.S.A.
Telephone: (212) 759-2222
Facsimile: (212) 759-3682

EXPORT MARKETING PLAN

Based on the market profile you've developed from research data and firsthand experience, create an export marketing plan.

An export marketing plan is necessary (a) to provide focus and (b) to promote understanding of and support for exporting objectives and activities on the part of management and staff. The process of developing an export marketing plan can be as important as the final document.

Some recommendations for developing an export marketing plan:

It should be in writing. It should be action-oriented.

It should state all major exporting objectives and list strategies for achieving each.

There must be management consensus on major goals.

There must be commitment by major players to actions specified for meeting objectives.

The plan should be adjusted periodically to meet changing conditions.

Suggested areas to cover in an export marketing plan:

THE TARGET MARKET:

market analysis

targeted market segment(s)

the competition

problems and opportunities

PENETRATING THE MARKET:

pricing

packing and labeling

shipping

the distribution system

advertising

FINANCIAL PROJECTIONS:

known expenses

estimated sales volume, both short and long term

financial need and sources of financing

payment terms

total estimated costs of doing business in the U.S.

EXPORT IMPLEMENTATION:

who will do what, when

TRADE SHOWS

Participate in international trade shows in your product sector.

Trade shows are well-known throughout industry as unique resources, not to be missed. By presenting your product line at a trade show, you have everything to gain and nothing to lose.

Just some of the advantages of participating in trade shows:

Numerous contacts
At one show you can meet more potential customers and agents than you could through several marketing trips to the U.S.

Motivated buyers
Customers seek you out at a show, and they're primed to buy. It's estimated that each sales contact you make at a trade show has a 54% chance of success — far higher than the 15% success rate of routine sales calls.

A cost-effective means of selling
Shows are one of the least expensive ways of making multiple sales presentations.

A controlled selling environment
You'll have everything at your fingertips to demonstrate the unique aspects of your product, and you or your representative will be there in person to respond to customers.

An opportunity to learn about the market
Trade shows offer an unparalleled opportunity to investigate your competitors' products, prices, and marketing strategies and to stay current on market conditions.

A great deal of trade show assistance is available to exporters from federal and provincial agencies. Exporting experts can help you select which shows to attend, fund your attendance, and offer tips on creating an effective exhibit.

Alberta Economic Development and Trade
Trade and Investment
11th Floor, Sterling Place
9940 - 106th Street
Edmonton, Alberta T5K 2P6
Telephone: (403) 427-4809
FAX: (403) 422-9127

Alberta's WITS program - WINNING INITIATIVES THROUGH TRADE SHOWS - provides publications and assistance for exhibiting in trade shows, including advice on pre-show development activities, basic boothmanship, and evaluation and follow-up.

Alberta House Trade Officers
Located in the Los Angeles and New York regions, Alberta trade officers and trade promotion staff lead marketing missions in their areas as well as conduct seminars for businesses on how to participate successfully in trade shows. See page 15 for addresses.

Info Export 1-800-267-8376
For information on all upcoming international trade shows.

Canadian Trade Commissioners
A source of realistic information about the most worthwhile shows in your market area. (See page 30.)

International Trade Centres
Assistance to exporters wishing to exhibit at international trade shows.
(See "Government Agencies" page 17).

The Canadian Government Expositions and Audio-Visual Centre
440 Coventry Road
Ottawa, Ontario K1A 0T1 Telephone: (613) 993-9730
For help on all aspects of exhibiting.

Department of External Affairs / Fairs and Missions Division
(See "Government Agencies" on page 16).

Publications:
"SO YOU WANT TO EXPORT," Department of External Affairs publication. Contains a suggested timetable of activities for the twelve months preceding your trade show exhibit.

"HOW TO GET THE MOST OUT OF YOUR EXHIBIT," available free from Clapp & Poliak, Inc. 245 Park Avenue, New York, New York 10167.

PRICING

Establish a competitive export price for your product.

In establishing your product's price in the U.S. you must satisfy two sometimes conflicting needs - the need to be profitable and the need to be competitive. Resolving these will require your best business judgment. You'll begin with a worksheet and use a formula to come up with a preliminary figure, but in the last analysis you must size up the realities of the marketplace.

The usual method for establishing an export price is Cost Plus Markup:

1. DETERMINE WHAT IT COSTS TO PRODUCE THE ITEM.

COST FACTORS INCLUDE:

Materials

Labour

Factory overhead (a proportion to account for export products)

Administrative costs (a percentage to cover exports)

2. ADD ALL OTHER EXPORTING COSTS.

SAMPLE EXPORTING COSTS:

Transportation costs, including delivery charges by rail, truck, or air to or from the terminals or ports of entry

Export packing charges

Customs, duty, and brokerage fees

Financing charges. e.g. bank interest on loans, fees for export credit

Warehousing fees

Agent's or distributor's commission

Note: If this item is high, it may be because of expenses on your behalf, i.e. promotion costs. Check on this so you don't count an expense twice.

Export advertising and promotion costs

OPTIONAL INCLUSIONS - CALCULATED PER UNIT:

- Travelling expenses to the U.S. to develop the market
- Costs of attending trade fairs and other promotional events
- Communications costs - e.g. telephoning and Faxing

3. ADD IN YOUR PROFIT MARGIN TO REACH THE TENTATIVE U.S. PRICE

If your calculations have resulted in a price that is uncompetitive, you may wish to consider one of the following pricing strategies:

SMALLER PROFIT MARGIN

- When first entering a market, you might have to set your profit margin a bit lower. Later, you can adjust your price (and profit) upward.

MARGINAL PRICING

- In this strategy, the only costs calculated in the "product cost" column are materials, labour, and marketing costs for the export goods. All "fixed" costs (such as overhead) are absorbed by the domestic market.

TEMPORARY REDUCTIONS

- Discounts, rebates, and promotional allowances can pique a customer's interest enough to result in a first purchase. Afterwards, brand loyalty may set in.

OTHER PRICING TACTICS ARE:

- Flexible v. static pricing
  Some manufacturers market their products to different customers at varying prices.
- Skimming
  In cases where there is no competition in the market, maximum prices are charged and maximum profits earned until competition appears.
- Price discounting
  If buyers in your market expect discounts off quoted prices, you can pad your price a bit so as to have some "give" during negotiations.

Beyond price: other ways to move your goods

Other features of your product may give you a selling edge - for example, an attractive package, steady source of supply, continuing innovation of the product after sales, additional services such as free delivery, free installation, or an attractive service contract, and better credit terms than offered by your competitors.

When making quotations:

- Use a worksheet to promote accuracy: in the U.S. market, your first quote is your last.
- Always quote in U.S. dollars.
- Most U.S. importers want prices quoted "DDP" (delivered duty paid) to their warehouse or factory.
- State the payment terms desired.

Trade terms

Trade terms set the responsibility for transportation, insurance, and any freight or delivery costs for goods in transit. Before fixing trade terms, there are several key points to consider: How much control do you want over the distribution process? How will you control costs once goods leave the plant? At what point in the shipment of merchandise will the title for goods transfer from you to the customer? Answers to these questions will directly affect your costs and be reflected in your quoted price.

Incoterms

In order to avoid misunderstandings, "Incoterms" were established by the International Chamber of Commerce as a standardized set of trade terms which describe the seller's and buyer's rights and responsibilities. The terms designate precisely the point at which title and costs shift from seller to buyer. **Always use Incoterms when making price quotations.**

Definitions of common Incoterms:

Free Alongside Ship (FAS)
The exporter has title to the goods and the responsibility for handling them only until they are placed alongside the ship at the port of embarkation, at which point the buyer assumes all costs and risks.

Free on Board Vessel (FOB); FOB Airport
The seller's responsibility for the goods ends when they are placed on board the ship or aircraft.

Free on Rail (FOR); Free on Truck (FOT)
The seller is responsible for loading goods onto the railway wagons or truck; the buyer then takes responsibility for moving the merchandise to its destination.

Cost and Freight (C&F)
Once the goods are loaded onboard the ship or aircraft at the port of embarkation, the buyer assumes risks for damage or loss. The exporter retains title to the goods and pays costs and freight charges.

Cost, Insurance & Freight (CIF)
The maximum seller obligation: the exporter pays for insurance plus loading and unloading costs and freight charges.

Ex Works (EXW)
The buyer assumes all risks and costs involved in shipping merchandise from the exporter's premises to their final destination. The seller's sole responsibility is to make the goods available to the buyer at his premises. This agreement is also called ex factory.

RESOURCES

Incoterms - Publication 350 ($16) is the basic guide to terms; publication 354 ($25) is the complete version. Available through: Business Council of Canada, International Chamber of Commerce, 1080 Beaver Hall Hill, Montreal, Quebec H2Z 1T2; also available through Chambers of Commerce and certain libraries.

Commodity Trade & Price Trends, Annual, World Bank - an authoritative text on commodity trade and prices published by Johns Hopkins University Press, Baltimore, Maryland.

Yearbook of International Trade Statistics - price indexes for certain commodities, available at most libraries.

International Financial Statistics - International Monetary Fund, Washington, D.C.

Handbook of International Trade & Development Statistics, Supplement, United Nations, New York.

"So You Want To Export," Department of External Affairs publication. See the "Export Pricing Worksheet" on page 30.

"Export Guide - A Practical Approach", Department of External Affairs Publication. See Chapter 2, "Export Pricing."

The Right Price - The Step-By-Step System for Working Out Your Correct Exporting Price, Ontario Ministry of Industry, Trade, and Technology.

CHANNELS OF DISTRIBUTION

Determine the best channel for distributing your product or service.

In exporting, it's essential to choose the best method of getting your product or service to customers. Will you export on a direct basis or via some form of "middleman?" Selling on your own in a distant market usually demands too much of new exporters. For this reason, U.S. market representatives and agencies familiar with the target market can be valuable allies.

There are several types of agents to choose from:

wholesalers	trading houses
distributors	market representatives

To establish the best distribution system, you'll need to investigate the distribution structure already at work in the marketplace and consider all reliable, cost-efficient methods, including the system prospective customers are familiar with.

Alternative channels of distribution:

Direct selling - the customer buys directly from the manufacturer, with no middleman.

U.S. importer or wholesaler - buys your products outright, then sells them in specific market regions or to a retail chain.

Distributor - buys and sells your goods on his own account in his marketing region; makes all marketing decisions, including setting the retail price.

U.S. sales agent/manufacturer's representative - procures sales agreements with customers on your behalf. Generally, the agent obtains the order, and the manufacturer invoices the customer directly, paying the agent a commission.

Trading houses - specialize in exporting, importing, and trading goods and services produced by others. Some firms offer comprehensive services to exporters, including marketing.

Export merchant in Canada - negotiates the sale of goods or services produced by other companies in return for a commission.

Licensing agreements - the exporter sells the technology needed to produce his product to a company, which then manufactures the product.

U.S. resident buyer in Canada - buys Canadian products on behalf of a U.S. principal.

Confirming houses in Canada - act as agents for U.S. buyers; locate and purchase goods produced by Canadian manufacturers and ship them to U.S. markets.

Spotlight on two vital trading middlemen:
Manufacturers' Representatives

Manufacturers' representatives are a mainstay of the U.S. marketplace. The best ones are highly qualified and experienced "locals" who keep in close contact with customers and are well-situated to solve problems.

Some advantages of using commissioned sales reps:

- They represent you aggressively in the marketplace.
- They know their customers well and call on them regularly.
- Having a local agent comforts customers.
- Sales agents can provide valuable market analysis; they can forecast sales and keep you informed about competitors.
- They can recommend product modifications, based on their market awareness, to keep you abreast of the competition.
- They frequently find wider applications for your product.
- They can test other markets at no expense to you.
- A sales agency can provide a range of additional services such as stocking orders, invoicing and carrying receivables, placing regional advertising, installing equipment, training other sales staff, and providing after-sales service.

The Trading House

Trading houses are companies which export, import, or trade in goods and services produced by others. They provide a wide range of specialized services to exporters for a fee or commission. Exporters can work out arrangements customized to their particular needs in the market, from having the trading house manage all exporting activities to using the trading house solely to identify customers or advise on exporting activities.

Some of the services trading houses may provide:

- identify and select the correct market
- identify, evaluate, and select qualified buyers
- research product and packaging specifications
- negotiate price
- evaluate, recommend, and appoint agents, representatives, or distributors
- negotiate the commercial contract - including obligations of the buyer and seller, terms of payment, and shipping arrangements
- buy and sell products on their own account, taking full title and marketing worldwide
- make financial arrangements
- organize promotional support
- coordinate after-sales service
- prepare required export documents

RESOURCES

HOW TO FIND A TRADING HOUSE:

Contact the Council of Canadian Trading Houses (CCTH), Suite 250, 99 Bank Street, Ottawa, Ontario K1P 6B9. Describe your product and your intentions in the U.S. market. The council will give this information to trading houses, and interested companies will contact you.

Directory of Canadian Trading Houses

A comprehensive listing of over 600 Canadian Trading Houses from the Service Industries Branch of the Department of Regional Industrial Expansion, Ottawa. Telephone (613) 995-8107 or contact your regional D.R.I.E. office (see "Government Agencies" on page 16).

The Council of Canadian Trading Houses

99 Bank Street
Suite 250
Ottawa, Ontario K1P 6B9
Telephone: (613) 238-8888
Telex: 053-4888
FAX: (613) 563-9218

A national association of Canadian trading houses organized under the auspices of the Canadian Exporters' Association.

TO LOCATE MANUFACTURERS' REPRESENTATIVES:

Canadian Consulates keep ongoing files on most manufacturers' representatives operating in their market territories (see page 30).

The **Manufacturers' Agents National Association (MANA)**

23016 Mill Creek Road
P.O. Box 3467
Laguna Hills, California 92654
Telephone: (714) 859-4040

A major U.S. association of manufacturers' representatives that fosters the manufacturer-agent relationship through a variety of services and activities.

Society of Manufacturers' Representatives Inc.

30555 Southfield Road
Suite 255
Southfield, Michigan 48075
Telephone: (313) 646-3331

Manufacturers' Representatives of America

P.O. Box 150229
Arlington, Texas 76015
Telephone: (817) 465-5511

National Association of Wholesalers-Distributors

1725 K Street Northwest
Washington, D.C. 20005
Telephone: (202) 872-0885

American Marketing Association

222 Riverside Plaza South
Chicago, Illinois 60606
Telephone (312) 648-0536

Direct Mail Marketing Association

6 East 43rd Street
New York, New York 10017
Telephone: (212) 689-4977

National Mail Order Association

5818 Venice Boulevard
Los Angeles, California 90019
Telephone: (213) 934-7986

"Selecting and Using Manufacturers' Agents in the United States,"

A listing of resources about agents by industry sector, published by the Export Development Planning and Programs Bureau of the Department of External Affairs.

In addition, trade and commercial directories with information about foreign importers, trading houses, distributors, agents, wholesalers, retailers, and buyers are available at most major libraries.

Alberta Physical Distribution Program

The Alberta government offers a series of workshops to help exporting businesses develop cost-effective systems for distributing goods. Session topics include warehousing and inventory. (For more information, see page 51).

FOR LISTS OF WAREHOUSE FACILITIES THROUGHOUT THE U.S., CONTACT:

American Warehousemen's Association

1165 N. Clark Street, Suite 613
Chicago, Illinois 60610
Telephone: (312) 787-3377

International Association of Refrigerated Warehouses

7315 Wisconsin Avenue
Silver Spring, Maryland 21901
Telephone: (301) 652-5674

Warehousing Productivity Report

A monthly newsletter with feature articles on warehousing topics, trends, and developments.

The A B C's of Marketing

Useful instruction on warehousing functions and decision-making.

Both booklets are available from Marketing Publications Inc., 8701 Georgia Avenue, Silver Spring, Maryland 21901. Telephone: (301) 585-0730.

TRANSPORTATION

Ship your goods to the U.S. market in the most cost-effective manner.

Dependable, cost-effective transportation is crucial to exporting. After labour and materials, transportation to market is the single greatest expense for most Alberta exporters. It's important to view transportation as one component within a total distribution system which includes storage and inventory. Your transportation choice should combine these elements in the most cost-effective blend. When all components in the distribution system work together, you'll achieve optimal use of your dollars.

Transportation alternatives

Trucking

Trucking is the most flexible transportation option, and there are good reasons why trucking is the choice of so many exporters:

- trucks offer door to door deliveries
- they respond well to shipping challenges
- they cater to shippers both small and large
- their equipment can accommodate special needs, such as frozen goods
- truckers offer competitive rates which may include unloading goods at the warehouse.

Rail

Rail is widely used to transport raw materials and semi-processed goods from Alberta to the United States and can be especially appropriate for volume shippers. The climate of deregulation has produced vastly improved choices in conveyance by rail to the U.S.: there is now greater selection in scheduling, equipment, insurance liability, terms of contracts, and prices.

Since Canadian railway equipment interchanges completely with that of U.S. railways, through service is available between all points served by rail in both countries. Bargains can be found through rate competition among U.S. and Canadian railways; if you originate with Canadian railways, when your goods arrive at the U.S. border you can either stay with your carrier or switch to U.S. railways (the latter is termed "interlining").

Air freight

Air freight is growing as a transportation option, both through regularly scheduled carriers and private charters. Air cargo efficiencies have increased over the years with increasing aircraft size and improved handling procedures.

Although charges are higher for air than for surface transport, speed of delivery and higher levels of service may be mitigating factors, depending on your product and market needs. Time can be a critical marketing tool, with many American manufacturers now using the "just in time" approach to assembly.

Many manufacturers combine air with surface transport, creating an overall package which meets their needs and allows for the greatest profit margins. For instance, they may ship base inventory via the cheaper modes of rail or road, but send time-sensitive goods by air.

Ways to save on transportation costs:

- have the customer negotiate shipment in cases where he has more leverage with the shipper
- ship in pieces and assemble in the market
- use intermodal shipping (combining 2 or more modes)
- investigate interlining (switching from Canadian to U.S. carriers)
- use freight forwarders or customs brokers as middlemen

Freight forwarders and customs brokers

Hiring freight forwarders or customs brokers is strongly advised, especially for new exporters and smaller firms, for these professionals will save you money. By leasing cargo space in all types of carriers and mixing shipments from many producers, freight forwarders procure cheaper transportation rates than you can get on your own. Customs brokers work on behalf of importers for clearance of goods through customs; many are freight forwarders as well, and have a dual role as specialists in both exporting and importing.

Some of the many services freight forwarders provide:

- arrange with the shipper for packing and marking of goods
- arrange appropriate carriers for transportation of goods
- consolidate shipments from different suppliers, with resultant savings to individual suppliers
- attend to customs clearance
- arrange insurance coverage
- prepare shipping documents
- prepare banking and collection papers
- book freight space
- provide cost breakdown, enabling exporters to quote FAS, C&F, or CIF price terms

Forwarders generally charge a percentage of the value of the freight for their services; you may find it more economical to use a freight forwarder than to perform many of these activities on your own. If you are a small firm just getting started in exporting, depending on your specific product and distribution needs, you can choose from alternative distribution strategies such as -

- beginning with freight forwarders and gradually taking control of the distribution process yourself
- taking advantage of the economies of scale of large wholesaler/ distributors, who can make all necessary arrangements for you

Transportation Insurance

In transit, your goods will be subject to many risks, from exposure to the elements, accidents, and damage, to outright theft. The next best thing to having physical control of the goods is having insurance to cover their value. A good insurance broker can identify deficiencies in packaging and even production which may save you money in the long run. It's a good idea to work with one to be sure you have sufficient coverage for losses that may occur while you hold liability.

RESOURCES

PROGRAMS:

ALBERTA ECONOMIC DEVELOPMENT AND TRADE
TRANSPORTATION SERVICES BRANCH
9th Floor, Sterling Place
9940-106 Street
Edmonton, Alberta T5K 2P6
Telephone: (403) 427-0743
FAX: (403) 427-5922

Transportation Export Services for Trade (TEST)

Alberta Economic Development and Trade's transportation experts can help you work out a cost effective distribution system, and they can recommend carriers, agents, customs brokers and freight forwarders to help you.

Alberta Physical Distribution Program (APDP)
This program offers workshops to Alberta business people on reducing the costs of distributing goods. Since APDP was first offered in 1984, the program has identified potential savings of $3.5 million in physical distribution costs for 18 Alberta companies. For more information, contact Alberta Economic Development and Trade's Transportation Services Branch, listed above.

TO LOCATE FREIGHT FORWARDERS AND CUSTOMS BROKERS:

McGOLDRICK'S "CANADIAN CUSTOMS AND EXCISE TARIFF" - lists international freight forwarders and U.S. customs brokers; available in most major libraries.

Canadian International Freight Forwarders Association, Inc.
P.O. Box 787
Station A
Toronto, Ontario M5W 1G3
Telephone: (416) 252-7321
Telex: 06-967666
FAX: (416) 259-0616

The association represents over 100 Canadian-based international freight forwarders and provides expertise to exporters on all aspects of transportation, export packaging, insurance, and documentation.

American Export Register - lists brokers and freight forwarders. Contact: Thomas International Publishing Company, 1 Penn Plaza, 250 W 34 Street, New York, New York 10119. Telephone (212) 695-0500.

The Yellow Pages contain listings of freight forwarders, customs brokers, shipping companies, and pool car companies.

"Transportation Guide"
Southern Publications
1450 Don Mills Road
Don Mills, Ontario
M3B 2X7
Telephone: (416) 445-6641

"Simplifying Your Transportation to Southern U.S. Markets," External Affairs Canada, available from D.R.I.E. offices (see "Government agencies" on page 16). Contains a detailed list of published resources on transportation and related topics including freight forwarders, transportation brokers, shippers' associations, and warehousing.

"Export/Import Traffic Management & Forwarding" - an authoritative text on freight forwarding by Alfred Murr, Cornell Maritime Press, Cambridge, Maryland, 21613.

FINANCING

Tap all available financial resources, including Alberta government agencies, the Export Development Corporation, and commercial banks.

Exporting your goods, services, or expertise to the U.S. will generate certain financial needs and risks. Fortunately, these can be resolved through the many services and safeguards available to Alberta exporters from commercial banks and government programs. This section will give information on where to seek financial guidance and support.

Export financing encompasses several stages:

feasibility studies and bids

production of merchandise and its shipment to the United States

export sales collections (dealt with in the next chapter)

Feasibility studies and bids

Both the Alberta and federal governments provide financial backing to exporters wishing to compete for projects abroad. They offer programs which share with private sector businesses the costs and risks of conducting feasibility studies and bids.

ALBERTA GOVERNMENT:

Export Services Support Program

This program finances the costs of feasibility and other relevant studies, including demonstration projects, which may lead to contracts for exporting

Alberta goods, services, or technical expertise. Funding can be for up to 50% of approved, pre-contract costs, including costs for study, product demonstration, or bidding, to a maximum of $150,000 per project. Examples of items covered are legal costs, travel costs, bid preparation costs, and professional fees.

The program is earmarked for established Alberta businesses and augments assistance from the federal Program for Export Market Development (PEMD), described below, and the Canadian International Development Agency. For more information, contact:

Alberta Economic Development
Business Finance Development
7th Floor, Sterling Place
9940 - 106 Street
Edmonton, Alberta T5K 2P6
(403) 422-5025
FAX: (403) 422-9319

Market Development Assistance Program (MDAP)

MDAP shares with Alberta businesses the financial costs of entering new export markets. The program supplements funding from the federal Program for Export Market Development (PEMD, see below. See page 29 for a description of MDAP guidelines.)

FEDERAL GOVERNMENT:

Program for Export Market Development - PEMD

Administered through the Department of Regional Industrial Expansion, PEMD supports businesses beginning the exporting process as well as veteran exporters who want to explore and develop new markets. Financial assistance is available for bids on specific projects; the federal government will help pay for airfare, consultants, legal costs, freight shipping and courier costs, bonds, printing, computer costs, and the purchase of bid or tender documents. For more information contact:

Alberta office:

Trade Director
Department of Regional Industrial Expansion
Cornerpoint Building, Suite 505
10179 - 105th Street
Edmonton, Alberta T5J 3S3
Telephone: (403) 495-2944
Telex: 037-2762 FAX: (403) 495-4507

Central Office:

Export Programs Division
Department of External Affairs
125 Sussex Drive
Ottawa, Ontario K1A 0G2
Telephone: (613) 996-8708

Note: PEMD Funding is also available for promotional activities aimed at developing markets. For information, see page 29.

Financing the production of export goods

Financing the production of goods to fill export orders can usually be arranged by extending your present financing for "work in progress" and bolstering the arrangement through loan guarantees from the Alberta government (see below).

RESOURCES

Alberta Economic Development and Trade Export Loan Guarantee Program

The provincial government will guarantee loans made to you by financial institutions. Loans can be for all aspects of exporting, from production of goods through export collections, and can cover such working capital requirements as:

- raw materials
- labour
- work in progress
- finished goods inventories
- shipping
- carrying receivables
- letters of credit in support of bid bonds and performance guarantees
- overhead costs related to the project

Through this program, decisions regarding loans are made solely by the lending institution; the government guarantees the loan in good faith. Any Alberta business operating for profit and manufacturing or processing products for shipment out-of-province is eligible for the loan guarantee program. There must be a specific export order or contract to support an application. For further information contact:

Alberta Economic Development and Trade
Business Finance Development
7th Floor, Sterling Place
9940 - 106 Street
Edmonton, Alberta T5K 2P6
(403) 422-5025
FAX: (403) 422-9319

Export Development Corporation (EDC)

The EDC is a federal Crown corporation which provides a range of financial services to Canadian exporters, including guaranteeing loans, bids, and performance. In tandem with commercial banks and other financial institutions, EDC backing makes it easier for you to obtain financing for down payments, construction or production costs, and other local costs. For more information, contact:

Head Office:

Export Development Corporation
151 O'Connor Street
P.O. Box 655
Ottawa, Ontario K1P 5T9
Telephone: (613) 598-2500

Western Region:

Assistant Vice President, Western Region
Export Development Corporation
Suite 1030
One Bentall Centre
Vancouver, British Columbia V7X 1M5
Telephone: (604) 688-8615

EXPORT COLLECTIONS

Qualify your prospects in advance; conduct credit checks on potential customers and work out all financial details, including payment terms, before signing a contract.

The Credit Check

When dealing with U.S. customers unknown to you, you'll want to evaluate their ability to pay before making a commitment. There are several ways to investigate a customer's credit standing.

Excellent sources of credit information are: your Canadian Trade Commissioner, the Export Development Corporation, U.S. trading divisions of major banks, Dun & Bradstreet International, The U.S. Department of Commerce's *World Trader's Data Report*, and the testimony of other exporters who have done business with the customer.

Credit as a marketing tool

When negotiating agreements with customers, one of the main issues to discuss is terms of payment. Export credit can be a powerful marketing tool; desirable payment terms are an incentive for buyers and have been the catalyst for many a successful business deal.

To arrive at terms which meet your needs as well those of your customer, you should be conversant with alternative methods of export payment.

Methods of export payment:

Cash in advance. Cash is the ideal, risk-free medium of payment, but a rarity. **Cash on Delivery (COD)** can be arranged for small orders; for larger accounts, telegraphic transfer of payment upon receipt of goods is the next best thing to cash.

Consignment. The exporter retains title of shipped goods and does not receive payment until they are sold, generally within a specified time period.

Open account. The most prevalent mode of U.S.- Canadian business dealings, used in 80% - 90% of trading agreements between the two countries. The exporter ships merchandise and title documents to the customer, trusting him to pay the contract price at the agreed-upon time.

Drafts are orders requesting payment of a specified amount of money at a certain time.

A **documentary commercial letter of credit,** issued by the customer's bank, is an agreement to pay for goods upon presentation of certain documentation; payment is guaranteed if the terms and obligations contained in the letter of credit are met.

Forfaiting is a form of fixed rate financing in which a financial institution buys the foreign customer's payment obligations and issues the exporter a guaranteed series of promissory notes.

Export factoring is the discounted sale of accounts receivable to "factors" in exchange for immediate payment.

Countertrade is a generic name for all transactions in which the seller is compensated for goods through an agreed-upon undertaking by the customer instead of with funds. Common types of countertrade:

- **Barter** is the direct exchange of goods of equivalent value; no money changes hands and deliveries are rapid.
- **Swap** involves exchanging bulk products (i.e. sugar, chemicals, oil) located at distant sites for identical goods closer to the buyer.
- **Counterpurchase** is the most common form of countertrade. In return for making a sale, the seller agrees to buy from his customer goods amounting to a fixed value or percentage of the delivered goods.
- **Compensation trade** (also called buy-back) is a complex type of countertrade in which company sells its equipment, technology, or a turnkey operation to a customer, and in return receives resulting products.

Contracts

A written contract is absolutely essential to assure payment for foreign receivables. Without a contract, you have no legal recourse in case of non-payment.

A contract need not be formal. Its format will depend upon the circumstances and custom of your product area. It may consist simply of submission and acceptance of the pro forma invoice (see page 67). Whatever form it takes, a contract should contain sufficient information about the goods to avoid misunderstandings or dispute.

RESOURCES

In financing export sales, banks as well as federal and provincial programs provide an abundance of services to exporters.

BANKS

International divisions of commercial banks have always been involved in financing foreign trade. Besides lending and collecting money, banks offer a variety of services:

- advice on the credit status of potential customers
- appraisals of U.S. market conditions
- commercial letters of credit
- payment or negotiation of drafts drawn under letters of credit to U.S. buyers, providing cash to Canadian exporters
- collection of drafts drawn by exporters on U.S. importers
- liaison with provincial and federal government assistance programs
- loans to cover all aspects of exporting, with the backing of the EXPORT DEVELOPMENT CORPORATION

EXPORT DEVELOPMENT CORPORATION (EDC)

The Export Development Corporation is a Crown corporation that offers financial services to Canadian exporters as well as to foreign buyers in order to facilitate and develop Canadian export trade. EDC programs provide Canadian exporters with a wide range of insurance and guarantees beyond those available in the private sector. Some examples of EDC's many services in export collections:

Insurance for non-payment

Most transactions involving the export of goods, services, or technology can be insured by EDC. The corporation will assume 90% of losses due to insolvency, default, buyer repudiation of goods, or cancellation of U.S. import or Canadian export licenses.

Guarantees to Canadian Banks

EDC will insure your bank against non-payment of loans, providing added security for the purchase of promissory notes issued by U.S. buyers and perhaps even lowering your interest costs.

Buyer Credits

EDC makes financing available to foreign buyers for up to 85% of the contract value of exported Canadian capital goods, equipment, or services. The funds are paid directly to Canadian exporters, effectively turning credit transactions to cash. EDC terms are attractive enough to serve as a marketing tool.

Forfaiting

EDC will purchase the customer's trade obligations for periods of one to five years; Canadian exporters receive immediate cash by discounting the promissory notes on a non-recourse basis.

Commercial Credit Corporation

A Crown corporation established to assist in the development of trade between Canada and other nations, CCC acts as the prime contractor in the sale of Canadian goods and services to foreign governments and international agencies. For instance, CCC assists the U.S. Department of Defense with contracts involving Canadian firms. For more information, contact:

Alberta Economic Development and Trade
Canada and the Americas
11th Floor, Sterling Place
9940 - 106 Street
Edmonton, Alberta T5K 2P6
Telephone: (403) 427-4809
Telex: 037-2197 FAX: (403) 422-9127

or:
Canadian Commercial Corporation
Export Supply Directorate
Ottawa, Ontario K1A 0S6
Telex: 053-3703
Autovon: 627-8011

CROSSING THE BORDER

With the help of a freight forwarder or customs broker, cover all packaging and documentation requirements for entering goods to the U.S.

Customs brokers

Customs brokers specialize in export and import documentation. Count on them to become an integral part of your exporting team, for their services greatly facilitate the transit of goods from Canada to the United States.

Canadian customs brokers will help you with the Canadian documentation required for exported goods. U.S. customs brokers will handle all needed U.S. documentation, enter your goods through U.S. Customs, post any bond required, and usually can effect speedy release of your goods.

Export packing

Aside from certain markings required by the U.S. government, packing to ship to San Francisco should be no more complicated than packing to ship to Toronto. The bottom line of all successful packing is that the product arrive to the customer in ideal condition.

Your export packing should:

Be appropriate for the carrier

Protect against damage

Accommodate any special needs of the product

Protect against pilferage

Be cost-effective

Meet marketing needs

Conform to U.S. requirements

Required markings on packages

Exterior markings on shipped packages identify your goods and must agree with all notations on the entry documentation.

The U.S. government requires the following information on shipped packages -

- Buyer's name or symbol
- Point of entry
- Gross and net weights stated in kilograms and pounds
- Country of origin, i.e. "Made in Canada"
- Package numbers - sequential, if more than one case
- Outside measurements of cases - length, width, height - (in metric and imperial measures)
- Any needed cautionary markings with their international symbols

Required markings on Goods

Country of origin

With few exceptions, each article produced abroad and imported to the United States must be conspicuously and legibly marked with the name of the country of origin in English, e.g. "Made in Canada."

Other required markings

Depending on the product, certain special markings may be required by U.S. government agencies such as the Food & Drug Administration, the Environmental Protection Agency, the Internal Revenue Service, the Federal Trade Commission, and the Consumer Product Safety Commission.

Penalties

If an imported article is not properly marked at the time of its entry to the U.S., a marking duty equivalent to 10% of the customs value of the article will be assessed unless the article is exported, destroyed, or properly marked under customs supervision before liquidation of the entry.

The Canada-U.S. Free Trade Agreement
A New Era in Crossing the Border

The Free Trade Agreement between Canada and the United States, initiated on January 1, 1989, will eliminate all tariffs on trade between Canada and the U.S. over a ten-year period. Under the terms of the treaty, tariffs are to be eliminated in three stages: some goods are duty-free immediately, while other goods will have duties reduced in annual stages over either five or ten years, until they are eliminated altogether. The following is a partial list of commodities affected:

STAGE ONE: tariffs fully eliminated as of January 1, 1989

computers and related equipment
fur and fur garments
animal feeds
unwrought aluminum
vending machines and parts
airbrakes for railroad cars
warranty repairs
some unprocessed fish
some paper making machinery
leather
some port
yeast
needles
ferro alloys
leather
skis
skates
motorcycles
whiskey

STAGE TWO: tariffs eliminated in 5 equal annual steps commencing on January 1, 1989

subway cars
printed matter
paints
furniture
explosives
most machinery
chemicals and resins (excluding drugs and cosmetics)

paper and paper products
hardwood plywood
aftermarket auto parts
some meats and lamb

STAGE THREE: eliminated in 10 annual steps commencing on January 1, 1989

most agricultural products
textiles and apparel
softwood plywood
pleasure craft
steel
appliances
beef
railcars
tires
used cars

Additional free trade notes:

- Former "duty drawbacks" will be phased out.
- The U.S. Customs "user fee" will be phased out over a five year period

Rules of Origin

The Free Trade Agreement covers only goods produced by Canada and the U.S. Since both countries will continue to apply existing tariffs to imports from other countries, strict rules regarding the origin of goods have been set to limit the benefits of the Free Trade Agreement to Canada and the U.S.

Generally, to qualify under the Rules of Origin, Canadian goods imported to the United States must meet one of the following criteria:

- They must be wholly produced or obtained in Canada or the U.S. ("Obtained" does not mean purchased.) Minerals, ores, fruits, livestock, or lumber obtained in Canada or the U.S. are included in this category.
- If they include components or materials from other countries, they must be "substantially transformed" so as to incur a change in tariff classification specified in the Rules of Origin. In addition, certain goods must also have 50% to 70% of their value (measured in the cost of materials and not including profits) added in either Canada or in the U.S.

Ineligible for FTA treatment are

- Goods not meeting the FTA Rules of Origin
- Goods not shipped directly to the United States or Canada on a through bill of lading (trans-shipment through a third country is allowed if the goods do not enter the commerce of the third country)
- Goods which undergo further processing or assembly in a third country
- Goods imported from a third country and merely packaged in the U.S. or Canada
- Goods which have undergone dilution with a substance that does not materially alter the good (for example, orange juice imported as a concentrate and then diluted in the U.S. or Canada does not qualify under free trade)

United States Customs

Organization

There are nine geographical regions of U.S. Customs, including Puerto Rico and the Virgin Islands. Each is divided into districts with ports of entry.

New role

While duties from countries other than Canada must still be collected, the role of U.S. Customs vis a vis Canadian imports will gradually shift from collecting duty to ensuring that goods satisfy the rules of origin.

Documentation required by U.S. Customs

The Canada-U.S. Free Trade Agreement has streamlined dramatically the documentation requirements for entry of goods to the U.S. At a minimum, required documentation now consists of an invoice - either the commercial invoice or a pro forma customs invoice - and the "Exporter's Certificate of Origin."

Invoice

U.S. Customs agents must be able to identify all goods for country of origin, duty, if any, and quota sanctions. If a commercial invoice does not clearly identify the type of goods being shipped, you should add clarifying language.

Invoices must contain the following information:

- Date of issue
- U.S. port of entry
- Time and origin of shipment and names of shipper and receiver
- Time and place of receipt and names and addresses of seller and buyer
- Detailed description of the merchandise - quantities, in U.S. weights and measures; total weight, total number of packages; shipping marks and numbers
- IRS tax identification number of the U.S. importer
- The U.S. tariff classification number
- Terms of sale, delivery, and payment
- The purchase price of each item (unit price, total price, discounts and special reductions)
- All charges upon the merchandise itemized by name and amount, including freight, insurance, commission, cases, containers, coverings, and cost of packing
- All rebates and bounties, separately itemized
- Shipping marks and numbers
- Terms of delivery and payment

Note: a Packing List is sometimes required to supplement commercial invoices, especially when many units are shipped or when packing cases contain an assortment of different items.

Certificate of Origin

A Certificate of Origin is required to obtain a free trade ruling for goods. The Certificate of Origin may be generated for a shipment, product, or product line for a specified period, and it is possible to arrange for a blanket Certificate of Origin, issued for a six-month period.

The Certificate of Origin must give a complete description of each article shipped, listed in the same order as on the invoice. The form requires -

- A description of the commodity
- Consignment information - sent from whom to whom
- The declaration and signature of the exporter
- The basis on which the FTA entitlement is claimed -
  - wholly produced in Canada
  - tariff heading changed
  - sufficient cost of processing
- The trade level of the certifier, e.g. manufacturer or exporter

Rulings on imports

Your freight forwarder or U.S. Customs broker can advise you, but decisions regarding your goods' fulfillment of the rules of origin will ultimately be made by port of entry customs officials.

When planning to export, you are advised to obtain a pre-importation classification and origin opinion from the U.S. Customs Service. Contact the Director, Office of Regulations and Rulings, 1301 Constitution Ave. N.W., Washington, D.C. 20229. When you write, include -

- A complete description of the goods, with samples, if possible
- Country of origin and cost breakdowns, and respective quantities, by per cent, of component materials
- A description of the chief use of the goods, as a class or kind of merchandise
- Information regarding commercial, scientific, or common designations, as applicable

Once you obtain a customs ruling, enter your goods precisely as classified without further changes, otherwise, problems and delays will ensue.

Clearing customs

Entering goods to the U.S.

Shipments may be cleared at border entry points or else transported in-bond to an inland customs point nearer the market and entered there.

If duty is to be paid by the U.S. importer, the goods are often bonded to a location where he has a working relationship with the local customs broker. If you are responsible for paying duty, however, it may be best to enter the goods at a border crossing point where brokers specialize in Canadian imports.

Alternative ways to enter goods

- "Air freight," in which the duty may be pre-paid
- "Immediate Delivery," which requires a "Special Permit for Immediate Delivery"
- "Entry for Warehouse," in which goods are placed in a bonded warehouse and their release postponed
- "Mail entries," ideal for entering small shipments

Procedures for entry of goods

(For simplicity, the following description is for goods entered at a U.S. port of entry.)

When a shipment reaches the U.S., either the importer or the U.S. customs broker files entry documents with a district or port director. A bond may be required with entry to cover potential duties, taxes and penalties that may accrue, and this can be posted by your broker.

Unentered goods

If entry is not filed within 5 days of the goods' arrival at the port of entry, they are declared "unentered" and the district or port director may place them in a general-order warehouse at the importer's risk and expense.

Examination of goods

The U.S. importer or customs broker makes arrangements for the examination and release of the shipment.

Customs officials determine -

- The country of origin, when a free trade ruling is requested
- If duty is warranted, the dutiable status of the goods and their value for customs
- Whether goods require any additional markings or labeling and if so, whether they are correctly marked
- Whether the shipment contains any prohibited articles
- Whether the goods are correctly invoiced - or whether there is an excess or a shortage
- Whether the goods meet special requirements of the law - for example, food and beverages, governed by the U.S. Food and Drug Administration.

Assessment of duty and liability for its payment

All goods imported into the U.S. are subject to either duty or duty-free entry in accordance with their classification under the Canada-U.S. Free Trade Agreement and the Harmonized Tariff System.

Duty may be assessed at either ad valorem, specific, or compound rates:

- An ad valorem rate is a percentage of the appraised value of the merchandise.
- A specific rate is a specified amount per unit of weight or other quantity, such as 5.9 cents per dozen.
- A compound rate is a combination of both an ad valorem rate and a specific rate, such as 7 cents per point plus 10 per cent ad valorem.

Liability for the payment of duty rests upon the person or firm in whose name the entry is filed. When goods have been "entered for warehouse," the liability for duties may be transferred to the purchaser of the goods, who then withdraws them in his or her own name.

Liquidation

Liquidation is the point at which the Customs Services' determination of the rate and amount of duty becomes final; it is accomplished by posting a notice on a public bulletin board at the customs house.

Protests

The importer may pursue a claim for adjustment or refund by filing a protest on U.S. Customs Form 19 within 90 days of liquidation.

Civil and criminal fraud

There is a monetary penalty assessed to any person who by fraud or negligence enters, introduces, or attempts to introduce merchandise to the United States by means of false information - be it any material and false written or oral statement, document or act - or by any omission. The imported merchandise may be seized to insure payment of the penalty.

Special customs arrangements for exporters

Free trade zones

Free (or ''foreign'') trade zones are secured areas outside a nation's legal customs territory in which certain activities are permitted duty free. In U.S. free trade zones, parts or components can enter duty-free; once assembled, the finished product is assessed at a dutiable rate which is lower than the tariffs on individual components.

Temporary admission Carnet

A Carnet is a document which permits commercial materials such as product samples, professional equipment, and advertising literature to enter the U.S. duty free on a temporary basis. Each Carnet is valid for one year and is good for any number of trips during that year.

Carnets save time, effort, and expense. They eliminate the need to prepare entry forms or to pay a security bond at every customs station when entering professional materials and equipment. On the Carnet you simply list all goods you wish to enter duty free to the U.S. - for example, items you will need for a trade show, or commercial samples. With the advent of the Free Trade Agreement and its stringent requirements regarding the origin of goods, it is possible that Carnets will be more widely used than ever for entering commercial necessities to the U.S.

To obtain a Carnet, contact the Carnet Canada Division of the Canadian Chamber of Commerce at one of the issuing offices.

RESOURCES

Export Documentation

"Importing to the United States", an essential reference listing frequent errors in documentation; available free from the Department of Treasury, United States Custom Service, Washington, D.C. 20229

TARIFF OFFICERS IN U.S. GEOGRAPHIC BUREAUS OF DEPARTMENT OF EXTERNAL AFFAIRS can help you with documentation and provide information on access regulations, tariffs, and quotas.

THE CANADIAN EXPORTERS' ASSOCIATION provides trade document certification services.

THE CANADIAN ORGANIZATION FOR THE SIMPLIFICATION OF TRADE PROCEDURES (COSTPRO), 1515 Sparks Street, Ottawa, Ontario K1P 5E3, publishes Volume III, Canadian Trade Document Alignment System Manual for Simplification of Documents.

DOCUMENTATION HANDBOOK - available as a package with Exporter's Encyclopedia Directory from Dun & Bradstreet, Box 2007, Jersey City, New Jersey, Telephone (201) 966-1620

To locate U.S. Customs brokers or freight forwarders

ALBERTA ECONOMIC DEVELOPMENT AND TRADE
Transportation Services Branch
9th Floor, Sterling Place
9940-106 Street
Edmonton, Alberta T5K 2P6
Telephone: (403)427-0743

Alberta Economic Development and Trade's transportation experts can recommend freight forwarders and customs brokers.

McGOLDRICK'S "CANADIAN CUSTOMS AND EXCISE TARIFF" - lists international freight forwarders and U.S. Customs brokers, and can be obtained in most major libraries.

CANADIAN INTERNATIONAL FREIGHT FORWARDERS ASSOCIATION, INC.
P.O. Box 787
Station A
Toronto, Ontario M5W 1G3
Telephone: (416) 252-7321
Telex: 06-967666 FAX: (416) 259-0616

The association represents over 100 Canadian-based international freight forwarders and provides expertise to exporters on all aspects of transportation and on related services such as export packaging, insurance, and documentation.

AMERICAN EXPORT REGISTER - U.S. manufacturers and product classifications, brokers, and freight forwarders, Thomas International Publishing Company, 1 Penn Plaza, 250 W 34 Street, New York, New York 10119. Telephone (212) 695-0500.

Consult the Yellow Pages for a list of licensed U.S. Customs brokers.

For tariff information and classification rulings

The Commissioner of Customs, Office of Regulations and Rulings Washington, D.C. 20229, will provide you with a pre-exportation customs ruling.

MARKET ENTRY SECTION
UNITED STATES MARKETING DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
125 Sussex Drive
Ottawa, Ontario K1A 0G2
Telephone: (613) 993-7484
from Edmonton dial 420-2021
from Calgary dial 231-4998
from elsewhere in Alberta dial 1-800-232-9481

The office has extensive knowledge of U.S. import regulations, tariffs, and other information pertinent to exporters; it can also obtain binding classification rulings from U.S. Customs on behalf of Canadian exporters.

"Tariff Schedule of the United States," The International Trade Communications Group, Department of External Affairs
125 Sussex Drive, Ottawa, Ontario, K1A 0G2

CUSTOM HOUSE BROKERS ASSOCIATION

Northern U.S. Border
Office of the President
C.J. Towers & Sons
128 Dearborn Street
Buffalo, New York 14207
Telephone: (716) 874-1300

CANADA CUSTOMS

Calgary International Airport
Telephone: (403) 292-8777
Hotline: 1-800-472-9719

Canada Customs
Coutts, Alberta
Telephone: (403) 344-3766

Canada Customs
Edmonton, Alberta
Telephone: (403) 495-3400

U.S. CUSTOMS

Edmonton International Airport
Telephone: (403) 890-4514

U.S. Customs
Sweetgrass, Montana
Telephone: (406) 335-2435

U.S. Customs Attaché
American Embassy
100 Wellington Street
Ottawa, Ontario K1P 5T1
Telephone: (613) 230-2120

Carnet information:

The Canadian Chamber of Commerce processes Carnets. You can telephone Carnet Canada offices in: Ottawa: (613) 238-4000; Toronto (416) 868-6415; Montreal (514) 866-4334; Vancouver (604) 641-1256, or write to:

HEAD OFFICE
Carnet Canada, Division of
The Canadian Chamber of Commerce
1080 Beaver Hall Hill, Suite 1630
Montreal, Quebec H2Z 1T2

WESTERN OFFICE
Carnet Canada, Division of
The Canadian Chamber of Commerce
c/o The Vancouver Board of Trade
500-1177 West Hastings Street
Vancouver, B.C. V6E 2K3

Commercial disputes

In the event of commercial disputes, Canadian exporters can seek advice from:

Canadian Council, International Chamber of Commerce
c/o The Canadian Chamber of Commerce,
1080 Cote du Beaver Hall,
piece 712,
Montreal, Quebec H3Z 1T2

Export licenses

Department of External Affairs
Export Controls Division
Special Trade Relations Bureau
Department of External Affairs
Ottawa, Ontario K1A 0G2
Telephone: (613) 996-2387

U.S. foreign trade zones

To obtain the following publications -

Foreign Trade Zones - U.S. Customs Procedures and Requirements

Policies and Procedures Manual, Foreign Trade Zone Operations

write to: Department of the Treasury, U.S. Customs Service,
The Foreign Trade Zones Board, Washington, D.C. 20229.

PROTECTION OF INTELLECTUAL PROPERTY

Make sure your new product (or a product new to the marketplace) is protected from imitation by others and does not infringe upon the established rights of competitors in the U.S. market.

Canadian exporters entering the U.S. market for the first time or who own the rights to a new product should be alerted to the protection of "intellectual property" provided by

patents	copyright
trade marks	industrial design

These protections are available for your intellectual property - **and these same protections may already be in place to safeguard the property of your competitors in the U.S. market.** Infringement of the intellectual property rights of others can result in serious legal wrangles, not to mention damage to your business image. Before you export your new product to a U.S. market you should investigate whether a patent search or trade mark search is warranted.

Patent

A patent is a government grant which gives the patentee the right to exclude others from making, using, or selling his or her invention within the country. In Canada and elsewhere, patent protection is available for "any new and useful process, machine, manufacture or composition of matter or any new and useful improvement thereof, which shows inventive ingenuity."

A Canadian patent confers rights only in Canada. For protection in the United States, you must obtain a U.S. patent. Before making your product publicly available in the U.S. through sales, advertising, or by publishing descriptive articles, you are strongly advised to seek the counsel of a U.S. patent attorney.

Trade mark

"Trade mark" refers to the words, phrases or distinctive packaging used to differentiate your products or services from those of others. In Canada, rights to the exclusive use of trade marks derive from use - by establishing a reputation in the public eye - and these rights are confirmed through the Trade Marks Office.

Protection in Canada does not establish your right to use a trade mark in the U.S. In the U.S., registration is possible but not required, for trade mark rights can be established solely through use. You are eligible to apply for U.S. trade mark registration after 6 months of using your trade mark in the U.S. market.

Industrial design

Protection for industrial design is granted for an original shape, pattern or ornamentation applied to an object and copied by industrial process. The design cannot derive strictly from utilitarian considerations.

Industrial design protection is obtained through registration and there is no protection without registration. Canadian industrial design registration is valid only in Canada.

Copyright

Under copyright law, the writings of an author are protected against copying or reproduction by others. Copyright refers to the form of expression rather than to the subject matter of writing. In Canada and the U.S., copyright is automatic for all original literary, dramatic, musical and artistic works; there is no registration required.

Definitions are broad as to what is covered by copyright, and for an exporter, all materials used to promote business, e.g. pamphlets, drawings, photographs, graphs, charts, or computer programs, are protected.

RESOURCES

To obtain a Canadian patent

Initial contact:

Department of Regional Industrial Expansion
Cornerpoint Building
Suite 505
10179-105 Street
Edmonton, Alberta T5G 3S3
Telephone: (403) 495-2944
FAX: (403) 495-4507

Apply to:

Commissioner of Patents
Ottawa, K1A 0E8

To obtain a U.S. patent

Write to:

Commissioner of Patents
U.S. Patent Office
Washington, DC 20231

Listings of patent attorneys and agents:

Most inventors seeking U.S. patents employ patent attorneys or patent agents to assist them. The U.S. Patent Office publishes a list of all registered patent attorneys and agents by states, cities, and foreign countries.

"PATENTS: QUESTIONS AND ANSWERS,"
Government of Canada,
Bureau of Corporate Affairs publication
Cat. No. RG43-7/1977.

"GENERAL INFORMATION CONCERNING PATENTS/TRADEMARKS,"
An informative booklet available from the
Superintendent of Documents,
U.S. Government Printing Office,
Washington D.C. 20302.

For information on U.S. copyrights contact:

Registrar of Copyrights
Library of Congress
Washington, DC 20540

"INDUSTRIAL DESIGN: QUESTIONS AND ANSWERS,"
Government of Canada,
Bureau of Corporate Affairs publication,
Cat. No. RG43-18/1984

CONTACT CHECKL

This Guide and other publications available provide an overview of the potential impacts and opportunities created by the Free Trade Agreement. Even so, they represent only a first step in assembling the market intelligence base essential to meeting the challenges and seizing the opportunities which lie ahead.

Whether you would like to arrange a meeting, obtain publications, or simply clarify a point within the Agreement or this Guide, we invite you to contact one of our Business Counsellors at a Regional Office in your area.

OTHER "LET'S TALK TRADE" PUBLICATIONS

In addition to this brochure, the "LET'S TALK TRADE" program includes these other informative publications:

Seizing the Opportunity

... an Alberta business guide to impacts and opportunities arising from the Free Trade Agreement

Targetting Tomorrow

... a Ministerial trade policy statement with emphasis on a new and enhanced U.S. Trade and Investment strategy

Program Brochures:

EXTRA (Export Trade Readiness for Alberta)
WITS (Winning Initiatives Through Trade Shows)
NEBS (New Exporters to Border States)
NEXUS (New Exporters to U.S. South)
TEST (Transportation Export Services for Trade)
FINANCIAL PROGRAM GUIDE FOR ALBERTA EXPORTERS

Information within this Guide is presented for your consideration, information, and verification. The Government of Alberta disclaims any responsibility for costs or damages which may arise as a result of relying upon any or all of the information supplied.

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Camrose, Alberta
T4V 1L7
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Edson

204 Provincial Building
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111 - 54 Street
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Grande Prairie

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10320 - 99 Street
Grande Prairie, Alberta
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Lethbridge

416 Stafford Drive S.
Lethbridge, Alberta
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Medicine Hat

217 Provincial Building
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Metro Edmonton: **422-9494**
Rest of Province: call toll-free **1-800-272-9675**
(Monday to Friday 8:30 a.m. - 4:30 p.m.)

Alberta

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